

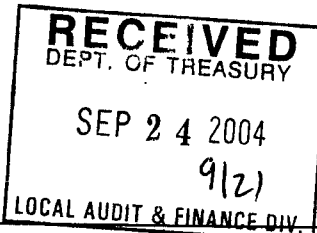
BATES TOWNSHIP  
(IRON)

Financial Report  
With Supplemental Information  
Prepared in Accordance with GASB 34

MARCH 31, 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.



Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>BATES TOWNSHIP</b>	County <b>IRON</b>
Audit Date <b>MARCH 31, 2004</b>	Opinion Date <b>JUNE 02, 2004</b>	Date Accountant Report Submitted to State: <b>SEPTEMBER 21, 2004</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <b>DS ROSTAGNO, CPA, P.C.</b>			
Street Address <b>101 WEST MAPLE STREET</b>	City <b>IRON RIVER</b>	State <b>MI</b>	ZIP <b>49935</b>
Accountant Signature 		Date <b>SEPTEMBER 21, 2004</b>	

## TABLE OF CONTENTS

	<u>Page</u>
Report Letter	3-4
Management's Discussion and Analysis	5-16
Basic Financial Statements	
District-wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities	18
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	19
Reconciliation of Balance Sheet of Governmental Funds to Net Assets	20
Statement of Revenue, Expenditures, and Changes in Fund Balances	21
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Enterprise Fund - Statement of Fund Net Assets	23
Enterprise Fund - Statement of Revenues, Expenses, and Changes in Fund Net Assets	24
Proprietary Fund - Combining Statement of Cash Flows	25-26
Fiduciary Fund - Statement of Fiduciary Net Assets	27
Notes to the Financial Statements	28-101
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	102
Budgetary Comparison Schedule - Road Repair	103
Other Supplementary Information	
Balance Sheet - Non-major Governmental Funds	104
Statement of Revenue, Expenditures, and Changes in Fund Balance - Non-major Governmental Fund	105

## TABLE OF CONTENTS

	<u>Page</u>
<b>Other Supplementary Information (Continued)</b>	
Combining Balance Sheet - All Special Revenue Funds	106
Combining Statement of Revenues, Expenditures, and Changes in Fund Equity - All Special Revenue Funds	107
Combining Balance Sheet - All Proprietary Fund Types	108
Combining Statement of Revenues, Expenses, and Changes in Retained Earnings - All Proprietary Fund Types	109
Balance Sheet - General Fund	110
Statement of Revenues - Actual and Budget - General Fund	111
Statement of Expenditures - Actual and Budget - General Fund	112-115
Liquor Law Enforcement Fund - Balance Sheet	116
Liquor Law Enforcement Fund - Statement of Revenues, Expenditures, and Changes in Fund Equity - Actual and Budget	117
Road Repair Fund - Balance Sheet	118
Road Repair Fund - Statement of Revenues, Expenditures, and Changes in Fund Equity - Actual and Budget	119
Water Fund - Water Fund	120
Water Fund - Statement of Revenues, Expenditures, and Changes in Retained Earnings - Actual and Budget	121
Water Fund - Statement of Cash Flows	122-123
Sewer Fund - Balance Sheet	125
Sewer Fund - Statement of Cash Flows	126-127
Trust and Agency Funds - Statement of Changes in Assets and Liabilities	128
<b>Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards</b>	129-130

**INDEPENDENT AUDITOR'S REPORT**

# **DS Rostagno, CPA, P.C.**

**101 West Maple Street, Iron River, MI 49935**

**Tel (906) 265-1040 Fax (906) 265-1042**

Board of Trustees  
Bates Township  
Iron River, Michigan 49935

## **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of **Bates Township**, as of and for the fiscal year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Trustees, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.


In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Bates Township** at March 31, 2004, and the respective changes in financial position and cash flows thereof for the fiscal year ended, in conformity with generally accepted accounting principles in the United States of America.

As described in Note A, **Bates Township** has implemented a new financial reporting model, as required by the provisions of GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 01, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 02, 2004 on our consideration of **Bates Township's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 5 through 16 and the budgetary comparison information are not a required part of the basic financial statements but are supplemental information required by the *Governmental Accounting Standards Board* and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Bates Township's** basic financial statements. The combining and individual fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

June 02, 2004

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# **BATES TOWNSHIP**

**3070 EAST U.S. 2  
Iron River, MI 49935  
(906) 265-2787**

**ROBERT NELSON, Supervisor  
(906) 265-2909**

**BARBARA MONCIVAIS, Clerk  
(906) 265-3060**

**PUNNER FRANZENE, Treasurer**

**JULIA RYBICKI, Trustee**

**ERNEST J. SCHMIDT, Trustee**

The management of **Bates Township** provides this narrative overview and analysis of the financial activities of **Bates Township** for the fiscal year ended March 31, 2004. As readers, you are encouraged to read this discussion and analysis in conjunction with the Township's financial statement information included in this report.

## ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

## ***Government-wide financial statements***

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the Township include general government, legislative, public safety, public works, Township property, and culture and recreation. The business-type activities of the Township include Water and Sewer utility services.

# **BATES TOWNSHIP**

**3070 EAST U.S. 2  
Iron River, MI 49935  
(906) 265-2787**

**ROBERT NELSON, Supervisor  
(906) 265-2909**

**BARBARA MONCIVAIS, Clerk  
(906) 265-3060**

**PUNNER FRANZENE, Treasurer**

**JULIA RYBICKI, Trustee**

**ERNEST J. SCHMIDT, Trustee**

## ***Fund Financial Statements***

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

## ***Governmental Funds***

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general and road repair funds, both of which are considered major funds. The Liquor Law Enforcement Fund is a non-major governmental fund.

Individual fund data for each fund is presented separately in the "Other Supplementary Information" section of this report.

# **BATES TOWNSHIP**

**3070 EAST U.S. 2  
Iron River, MI 49935  
(906) 265-2787**

**ROBERT NELSON, Supervisor  
(906) 265-2909**

**BARBARA MONCIVAIS, Clerk  
(906) 265-3060**

**PUNNER FRANZENE, Treasurer**

**JULIA RYBICKI, Trustee**

**ERNEST J. SCHMIDT, Trustee**

## ***Governmental Funds (Continued)***

The Township adopts an annual budget for its general and other governmental funds. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general and other major governmental funds, and is included in the "Required Supplementary Information" section of this document.

## ***Proprietary Funds***

Proprietary Funds provide services for which the Township charges customers a fee. The Township has only one type of proprietary fund - an enterprise fund. The enterprise fund of the Township is used to report the same functions as the business-type activities in the government-wide financial statements. The Water and Sewer Utility Funds are presented separately in both the government-wide financial statements and the fund financial statements and are both considered major funds. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

## ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary fund for the Township is the Tax Collection Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

## ***Notes to the Financial Statements***

Notes to the financial statements are included in the basic financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

# BATES TOWNSHIP

3070 EAST U.S. 2  
Iron River, MI 49935  
(906) 265-2787

ROBERT NELSON, Supervisor  
(906) 265-2909

BARBARA MONCIVAIS, Clerk  
(906) 265-3060

PUNNER FRANZENE, Treasurer

JULIA RYBICKI, Trustee

ERNEST J. SCHMIDT, Trustee

## *Supplementary Information*

Required supplementary information follows the basic financial statements, and includes budgetary comparison schedules for the General Fund and the Township's major special revenue funds as presented in the governmental fund financial statements.

A separate financial statement for the Township's non-major governmental funds is also included in the Other Supplementary Information section of this document.

## *Government-wide Financial Analysis*

In time, net assets of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the Township, assets exceeded liabilities by \$ 3,029,825 at March 31.

By far, the largest portion of the Township's net assets is its investment in capital assets (land, buildings, machinery, and equipment), less any outstanding debt related to acquiring the asset. These capital assets are used to provide services to citizens and are not available for future spending. The Township had \$ 1,614,000 in related outstanding debt at March 31, 2004; hence the Township reported \$ 2,510,883 in net assets invested in capital assets, net of related debt.

External restrictions of the Township's net assets represent resources subject to existing external obligations or programmatic control on future use. The remaining balance of unrestricted net assets of \$ 236,839 may be used to meet the Township's ongoing obligations to citizens and creditors.

Total net assets in excess of liabilities at March 31 for the governmental activities and business-type activities were \$ 245,165 and \$ 2,784,660, respectively.

# BATES TOWNSHIP

3070 EAST U.S. 2  
Iron River, MI 49935  
(906) 265-2787

ROBERT NELSON, Supervisor  
(906) 265-2909

BARBARA MONCIVAIS, Clerk  
(906) 265-3060

PUNNER FRANZENE, Treasurer

JULIA RYBICKI, Trustee

ERNEST J. SCHMIDT, Trustee

## Government-wide Financial Analysis (Continued)

### Summary of Net Assets

The following summarizes the net assets at fiscal year ended March 31, 2004:. Although GASB 34 requires that comparative financial data be presented, since this is the first year of implementation, prior year data is not available. Comparative financial data will be included in this schedule in subsequent years.

	<b>Primary Government</b>		
	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>
<b><u>Assets</u></b>			
Current and other assets	\$ 134061	\$ 410483	\$ 544544
Capital assets, net	<u>113341</u>	<u>4011542</u>	<u>4124883</u>
<b>Total Assets</b>	<b>247402</b>	<b>4422025</b>	<b>4669427</b>
<b><u>Liabilities</u></b>			
Long-term liabilities	\$ 0	\$ 1576000	\$ 1576000
Other liabilities	<u>2237</u>	<u>61365</u>	<u>63602</u>
<b>Total Liabilities</b>	<b>2237</b>	<b>1637365</b>	<b>1639602</b>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	113341	2397542	2510883
Restricted	639	281464	282103
Unrestricted	<u>131185</u>	<u>105654</u>	<u>236839</u>
<b>Total Net Assets</b>	<b>\$ 245165</b>	<b>\$ 2784660</b>	<b>\$ 3029825</b>

For governmental activities, net assets decreased by \$ 109,894 during the fiscal year. For business-type activities, net assets decreased by \$ 120,619 during the fiscal year.

# BATES TOWNSHIP

3070 EAST U.S. 2  
Iron River, MI 49935  
(906) 265-2787

ROBERT NELSON, Supervisor  
(906) 265-2909

BARBARA MONCIVAIS, Clerk  
(906) 265-3060

PUNNER FRANZENE, Treasurer

JULIA RYBICKI, Trustee

ERNEST J. SCHMIDT, Trustee

## Government-wide Financial Analysis (Continued)

### Results of Operations

The following represents the changes in net assets for both governmental and business-type activities for the fiscal year ended March 31, 2004: (Please note that since this is the first year of implementation of GASB 34, prior year financial data is not available, but will be provided in subsequent years).

	<b>Primary Government</b>		
	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>
<b><u>REVENUES</u></b>			
<b>Program Revenues</b>			
Charges for Services	\$ 18627	\$ 296221	\$ 314848
Operating grants/contributions	0		0
<b>General Revenues</b>			
Property taxes	122937		122937
Other taxes	12822		12822
Unrestricted grants	78762		78762
Other	3643	5789	9432
<b>Total Revenues</b>	<b>236791</b>	<b>302010</b>	<b>538801</b>
<b><u>EXPENSES</u></b>			
General government	\$ 72289	\$	\$ 72289
Legislative	13598		13598
Township property	30305		30305
Public safety	31182		31182
Public works	152021		152021
Culture and recreation	33576		33576
Depreciation	13714		13714
<b>Total governmental expenses</b>	<b>\$ 346685</b>	<b>\$ -0-</b>	<b>\$ 346685</b>

# BATES TOWNSHIP

3070 EAST U.S. 2  
Iron River, MI 49935  
(906) 265-2787

ROBERT NELSON, Supervisor  
(906) 265-2909

BARBARA MONCIVAIS, Clerk  
(906) 265-3060

PUNNER FRANZENE, Treasurer

JULIA RYBICKI, Trustee

ERNEST J. SCHMIDT, Trustee

## Government-wide Financial Analysis (Continued)

### Results of Operations (Continued)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Business-type activities:</u>			
Water	\$	\$ 305797	\$ 305797
Sewer		<u>116832</u>	<u>116832</u>
Total business-type expenses	-0-	422629	422629
 TOTAL EXPENSES	\$ 346685	\$ 422629	\$ 769314
 Increase (Decrease) in net assets before transfers	(109894)	(120619)	(230513)
Transfers - net	0	0	0
Increase (Decrease) in Net Assets	(109894)	(120619)	(230513)
 Net Assets, beginning of year	<u>355059</u>	<u>2816600</u>	<u>3171659</u>
Net Assets, end of year	\$ <u>245165</u>	\$ <u>2695981</u>	\$ <u>2941146</u>

### Governmental Activities

Property taxes and other tax revenues comprise \$ 135,759 or approximately 57 percent of total governmental revenues.

# **BATES TOWNSHIP**

**3070 EAST U.S. 2  
Iron River, MI 49935  
(906) 265-2787**

**ROBERT NELSON, Supervisor  
(906) 265-2909**

**BARBARA MONCIVAIS, Clerk  
(906) 265-3060**

**PUNNER FRANZENE, Treasurer**

**JULIA RYBICKI, Trustee**

**ERNEST J. SCHMIDT, Trustee**

## ***Governmental Activities (Continued)***

The Township also collected \$ 18,627 for services provided. And, at fiscal year-end, the Township reported \$ 78,762 in grants and contributions not restricted for specific programs. This amount was due entirely to the State of Michigan's state sales tax distribution, and comprises approximately 33 percent of total governmental revenues.

The Township expended \$ 346,685 on governmental programs and services. Some of the largest expense categories were for general government, where \$ 72,289, or 21 percent of total governmental expenditures were reported. Public works expenditures were \$ 152,021 or 44 percent of total governmental expenditures. A total of \$ 30,305 was expended on the maintenance of Township property.

## ***Business-type Activities***

Business-type activities decreased the Township's net assets by \$ 120,619. Charges for services for the Water and Sewer activities for the year ended were \$ 206,705 and \$ 89,516, respectively. Total expenses for the Water and Sewer activities for the year ended were \$ 305,797 and \$ 116,832, respectively.

## ***Financial Analysis of the Governmental Funds***

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

## ***Governmental Funds***

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

# BATES TOWNSHIP

3070 EAST U.S. 2  
Iron River, MI 49935  
(906) 265-2787

ROBERT NELSON, Supervisor  
(906) 265-2909

BARBARA MONCIVAIS, Clerk  
(906) 265-3060

PUNNER FRANZENE, Treasurer

JULIA RYBICKI, Trustee

ERNEST J. SCHMIDT, Trustee

## *Governmental Funds (Continued)*

The Township's governmental funds reported combined ending fund balances of \$ 223,729, of which \$ 639 is reserved and the remaining \$ 223,090 is available for spending at the government's discretion.

The Township's primary governmental fund is its general fund. There are no reservations in the general fund's fund balance.

On the budgetary basis of accounting, the Township ended the fiscal year with revenues slightly greater than the final projection. Total expenditures were considerably more than the final projection. Because of this, at fiscal year-end, the fund balance was lower than either the original or the final amended budget projections.

General fund financial and budgetary highlights of the fiscal year include:

- \* Property taxes, administration fees, and other taxes exceeded budgetary projections by the small amount of \$ 592.
- \* State sales tax distributions were down from the original and final amended budget, coming in at \$ 78,762, which is less than the budget estimates of \$ 87,000 by \$ 8,238.
- \* Fees received from other governmental units for tax collection were \$ 12,162, more than double the budget projections of \$ 6,000.
- \* Expenditures in total for the general fund were \$ 251,968, more than the final amended budget of \$ 215,210 by \$ 36,758. This was largely due to the fact that expenditures for capital outlay exceeded budgetary projections by \$ 30,597.

# BATES TOWNSHIP

3070 EAST U.S. 2  
Iron River, MI 49935  
(906) 265-2787

ROBERT NELSON, Supervisor  
(906) 265-2909

BARBARA MONCIVAIS, Clerk  
(906) 265-3060

PUNNER FRANZENE, Treasurer

JULIA RYBICKI, Trustee

ERNEST J. SCHMIDT, Trustee

## *Governmental Funds (Continued)*

Major special revenue fund financial and budgetary highlights of the fiscal year include:

- \* In the Road Fund, which is the only major special revenue fund, property tax revenue exceeded budgetary projections by \$ 8,377, totaling \$ 36,977 compared to both the original and final budgeted amount of \$ 28,600.
- \* Expenditures in the Road Fund for road repair were \$ 112,418, compared to the budgeted amount of \$ 28,600.

## *Proprietary Funds*

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Fund at year-end were \$ 12,404; \$ 1,567,928 of Township equity in the Water Fund was invested in capital assets, and \$ 153,029 was held in restricted accounts in compliance with bonding ordinances. Total net assets in the Water Fund on March 31 were \$ 1,733,361. The change in net assets was a loss of \$ 96,839. Net assets for the beginning of the year were restated to reflect a cumulative effect of a change in accounting principal, resulting from the elimination of contributed capital, as required by GASB 34.

Unrestricted net assets of Sewer Fund at year-end were \$ 4,571. An additional \$ 128,435 was held in restricted accounts in compliance with bonding ordinances, and \$ 829,614 is invested in capital assets, bringing the total net assets of the Sewer Fund to \$ 962,620. The change in net assets was a loss of \$ 23,780. As with the Water Fund, described above, net assets for the beginning of the year were restated to reflect a cumulative effect of a change in accounting principle, resulting from the elimination of contributed capital as required by GASB 34. This resulted in a positive adjustment to retained earnings in the fund financial statements, and eliminated the deficit in the Sewer Fund which had been an on-going problem since the adoption of NCGA Statement No. 2.

# **BATES TOWNSHIP**

**3070 EAST U.S. 2  
Iron River, MI 49935  
(906) 265-2787**

**ROBERT NELSON, Supervisor  
(906) 265-2909**

**BARBARA MONCIVAIS, Clerk  
(906) 265-3060**

**PUNNER FRANZENE, Treasurer**

**JULIA RYBICKI, Trustee**

**ERNEST J. SCHMIDT, Trustee**

## **Capital Assets and Debt Administration**

### ***Capital Assets***

The Township's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of March 31 was \$ 4,124,883. The investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, and licensed vehicles.

Infrastructure assets represent \$ 6,493,402 or approximately 96 percent of the estimated original cost of total assets. All infrastructure is accounted for in the Water and Sewer Funds. There is no infrastructure attributed to the General Fund.

Major capital events during the current fiscal year included:

- \* Purchase of a 2004 Chevrolet pickup and plow for the sum of \$ 29,363, the purchase of which was split between the General and the Water Funds.
- \* Renovation of the park restrooms at a total cost of \$ 13,979.

### ***Long-term debt***

As of March 31, the Township (including the enterprise funds) had total bonded debt outstanding of \$ 1,614,000. This debt is the result of bonds issued for the water supply system project, with a balance outstanding in the amount of \$ 1,325,000, and for the sanitary sewage system with a remaining balance of \$ 289,000. All of the Township's bonded debt represents bonds secured by specified revenue sources, (i.e., revenue bonds).

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. Since the Township has no general obligation debt, this is not currently a concern to the Township.

# **BATES TOWNSHIP**

**3070 EAST U.S. 2  
Iron River, MI 49935  
(906) 265-2787**

**ROBERT NELSON, Supervisor  
(906) 265-2909**

**BARBARA MONCIVALS, Clerk  
(906) 265-3060**

**PUNNER FRANZENE, Treasurer**

**JULIA RYBICKI, Trustee**

**ERNEST J. SCHMIDT, Trustee**

## **Other Economic Factors and Next Year's Budget**

### ***Economic Factors***

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state budget cuts will likely translate into strategic reductions of Township expenses to maintain a fiscally sound budget.

Despite the poor outlook of the State's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families, and maintain a safe and clean community in which to live.

The Township's fiscal year 2004-2005 general fund budget is \$ 217,800 representing a slight increase from the previous fiscal year's final amended budget.

Significant plans and major priorities for the Township for the 2004-2005 fiscal year include the installation of a water line on East Park Drive.

### **Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

**Township Supervisor  
Bates Township  
3070 East US-2  
Iron River, Michigan 49935**

**BASIC FINANCIAL STATEMENTS**

**BATES TOWNSHIP**

**STATEMENT OF NET ASSETS**

MARCH 31, 2004

	<u>PRIMARY GOVERNMENT</u>		<u>TOTALS</u>
	<u>GOVERNMENTAL</u>	<u>BUSINESS-</u>	<u>REPORTING</u>
	<u>ACTIVITIES</u>	<u>TYPE</u>	<u>ENTITY</u>
		<u>ACTIVITIES</u>	
<b><u>ASSETS</u></b>			
<b><u>Current Assets</u></b>			
Cash and Cash Equivalents (Note C)	\$ 122276	\$ 82118	\$ 204394
Receivables			
Taxes	11785		11785
Accounts Receivable	0	46901	46901
Due from Other Governmental Units			0
<b>Total Current Assets</b>	<b>134061</b>	<b>129019</b>	<b>263080</b>
<b><u>Noncurrent Assets</u></b>			
Cash and Cash Equivalents, Restricted		281464	281464
Capital Assets, Net (Note H)	113341	4011542	4124883
<b>Total Noncurrent Assets</b>	<b>113341</b>	<b>4293006</b>	<b>4406347</b>
<b>TOTAL ASSETS</b>	<b>247402</b>	<b>4422025</b>	<b>4669427</b>
<b><u>LIABILITIES</u></b>			
<b><u>Current Liabilities</u></b>			
Accounts Payable	0	512	512
Accrued Interest		3953	3953
Accrued Taxes	2237		2237
Deferred Revenue		18900	18900
Current portion of long-term debt		38000	38000
<b>Total Current Liabilities</b>	<b>2237</b>	<b>61365</b>	<b>63602</b>
<b><u>Noncurrent Liabilities</u></b>			
Revenue Bonds Payable	0	1576000	1576000
<b>Total Noncurrent Liabilities</b>	<b>0</b>	<b>1576000</b>	<b>1576000</b>
<b>TOTAL LIABILITIES</b>	<b>2237</b>	<b>1637365</b>	<b>1639602</b>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, Net of Related Debt	113341	2397542	2510883
Restricted for Liquor Law Enforcement	639		639
Restricted for Water Fund Repairs/Improvements		281464	281464
Unrestricted	131185	105654	236839
<b>TOTAL NET ASSETS</b>	<b>\$ 245165</b>	<b>\$ 2784660</b>	<b>\$ 3029825</b>

The notes to the financial statements are integral part of this report.

**BATES TOWNSHIP**

**STATEMENT OF ACTIVITIES**

YEAR ENDED MARCH 31, 2004

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>CHARGES FOR SERVICE</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS</u>
Primary Government -	\$	\$	\$	\$
General government	72289	14062		
Legislative	13598			
Township property	30305	1490		
Public safety	31182	385		
Public works	152021			
Culture and recreation	33576	2690		
Depreciation (Unallocated)	<u>13714</u>			
<b>Total Governmental Activities</b>	<b>346685</b>	<b>18627</b>	<b>0</b>	<b>0</b>
<u><b>Business-type Activities</b></u>				
Water Utility	305797	206705		
Sewer Utility	<u>116832</u>	<u>89516</u>		
<b>Total Business-type Activities</b>	<b>422629</b>	<b>296221</b>	<b>0</b>	<b>0</b>

**General Revenues:**

Taxes:

  Property taxes levied for general operations  
  Other taxes and fees  
  State Sales Tax Distribution  
  Sale of Property  
  Interest and Investment Earnings  
  Other

**Total General Revenues**

**CHANGE IN NET ASSETS**

**NET ASSETS - BEGINNING OF YEAR**

**NET ASSETS - END OF YEAR**

**BATES TOWNSHIP**

**STATEMENT OF ACTIVITIES**

YEAR ENDED MARCH 31, 2004

**NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS**

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS TYPE ACTIVITIES</u>	<u>TOTAL</u>
\$ (58227)	\$	\$ (58227)
(13598)		(13598)
(28815)		(28815)
(30797)		(30797)
(152021)		(152021)
(30886)		(30886)
<u>(13714)</u>		<u>(13714)</u>
(328058)	-0-	(328058)
	(99092)	(99092)
	<u>(27316)</u>	<u>(27316)</u>
-0-	(126408)	(126408)
122937		122937
12822		12822
78762		78762
0		0
2877	5789	8666
<u>766</u>		<u>766</u>
<u>218164</u>	<u>5789</u>	<u>223953</u>
(109894)	(120619)	(230513)
<u>355059</u>	<u>2816600</u>	<u>3171659</u>
\$ <u>245165</u>	\$ <u>2695981</u>	\$ <u>2941146</u>

The notes to the financial statements are an integral part of this report.

**BATES TOWNSHIP**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

MARCH 31, 2004

	<u>GENERAL FUND</u>	<u>ROAD FUND</u>	<u>NON-MAJOR GOVERN- MENTAL FUND</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
<b><u>ASSETS</u></b>				
Cash and Investments (Note C)	\$ 121455	\$	\$ 821	\$ 122276
Unrestricted				
Receivables:				
Taxes	11785			11785
Accounts Receivable				
Due from Other Funds	<u>92087</u>			<u>92087</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>225327</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>821</u></b>	<b>\$ <u>226148</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>LIABILITIES</u></b>				
Accrued Taxes	2237			2237
Due to Other Funds			<u>182</u>	<u>182</u>
<b>TOTAL LIABILITIES</b>	<b>2237</b>	<b>0</b>	<b>182</b>	<b>2419</b>
<b><u>FUND BALANCES</u></b>				
Reserved for Road Repair		0		0
Reserved for Liquor Law Enforcement			639	639
Unreserved and undesignated	<u>223090</u>			<u>223090</u>
<b>TOTAL FUND BALANCES</b>	<b>223090</b>	<b>0</b>	<b>639</b>	<b>223729</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>225327</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>821</u></b>	<b>\$ <u>226148</u></b>

The notes to the financial statements are an integral part of this report.

**BATES TOWNSHIP**

**GOVERNMENTAL FUNDS  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS**

MARCH 31, 2004

<b>FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	\$ 223729
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of capital assets is:	272318
Accumulated depreciation is:	(158977)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	0
Compensated Absences	0
Other long-term assets not available to pay current period expenditures therefore deferred in the funds	0
Accrued interest is not included as a liability in governmental funds	0
Amounts due to other non-governmental funds are not reported in the government-wide financial statements	<u>(91905)</u>
<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>245165</u></b>

The notes to the financial statements are an integral part of this report.

**BATES TOWNSHIP**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES**

MARCH 31, 2004

	<u>GENERAL FUND</u>	<u>ROAD FUND</u>	<u>NON-MAJOR GOVERN- MENTAL FUND</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
<b><u>REVENUE</u></b>				
General Property taxes	\$ 85960	\$ 36977	\$	\$ 122937
Other local taxes	12822			12822
Use of money and property	4367			4367
Charges for services	16252			16252
Miscellaneous	1266			1266
Intergovernmental	<u>78762</u>		<u>385</u>	<u>79147</u>
<b>TOTAL REVENUE</b>	<b>\$ 199429</b>	<b>\$ 36977</b>	<b>\$ 385</b>	<b>\$ 236791</b>
<b><u>EXPENDITURES</u></b>				
<b><u>Current Operating</u></b>				
General government	72289			72289
Legislative	13598			13598
Township property	30305			30305
Public safety	31000			31000
Public works	39603	112418	182	31182
Culture and recreation	33576			152021
Capital Outlay	31597			33576
Intergovernmental Payments	<u>0</u>			<u>31597</u>
<b>TOTAL EXPENDITURES</b>	<b>251968</b>	<b>112418</b>	<b>182</b>	<b>364568</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(52539)</b>	<b>(75441)</b>	<b>203</b>	<b>(127777)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Operating transfers in	0	25525	0	25525
Operating transfers out	<u>(25525)</u>			<u>(25525)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(25525)</b>	<b>25525</b>	<b>0</b>	<b>0</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(78064)</b>	<b>(49916)</b>	<b>203</b>	<b>(127777)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b><u>301154</u></b>	<b><u>49916</u></b>	<b><u>436</u></b>	<b><u>351506</u></b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ <u>223090</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>639</u></b>	<b>\$ <u>223729</u></b>

The notes to the financial statements are an integral part of this report.

**BATES TOWNSHIP**

**GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED MARCH 31, 2004

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ (127777)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense

(13714)

Capital Outlay

31597

Total

17883

Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds

0

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid

0

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)

0

Increases (Decreases) in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6

0

Eliminate interfund transfers to non-governmental funds

0

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES**

\$ (109894)

The notes to the financial statements are an integral part of this report.

**BATES TOWNSHIP**

**STATEMENT OF FUND NET ASSETS  
ENTERPRISE FUND**

MARCH 31, 2004

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTALS</u>
<b><u>ASSETS</u></b>			
<i>Current Assets</i>			
Cash, unrestricted	\$ 39836	\$ 42282	\$ 82118
Accounts Receivable, net			0
Due from other funds	<u>36809</u>	<u>10092</u>	<u>46901</u>
<b>Total Current Assets</b>	<b>76645</b>	<b>52374</b>	<b>129019</b>
<i>Noncurrent Assets</i>			
Restricted cash	153029	128435	281464
Capital assets:			
Buildings			0
Equipment	14348	5412	19760
Infrastructure	3798359	2695043	6493402
Less:			
Allowance for depreciation	<u>(919779)</u>	<u>(1581841)</u>	<u>(2501620)</u>
Total capital assets, net	<u>2892928</u>	<u>1118614</u>	<u>4011542</u>
<b>Total Noncurrent Assets</b>	<b>3045957</b>	<b>1247049</b>	<b>4293006</b>
<b>TOTAL ASSETS</b>	<b>\$ 3122602</b>	<b>\$ 1299423</b>	<b>\$ 4422025</b>
<b><u>LIABILITIES</u></b>			
<i>Current Liabilities</i>			
Accounts payable	512	0	512
Due to other funds	44829		43850
Accrued interest		3953	88679
Current portion of long-term debt	20000	18000	3953
Deferred revenues	<u>18900</u>		<u>38000</u>
<b>Total Current Liabilities</b>	<b>84241</b>	<b>65803</b>	<b>150044</b>
<i>Noncurrent Liabilities</i>			
Revenue bonds payable	<u>1305000</u>	<u>271000</u>	<u>1576000</u>
<b>Total Noncurrent Liabilities</b>	<b>1305000</b>	<b>271000</b>	<b>1576000</b>
<b>TOTAL LIABILITIES</b>	<b>1389241</b>	<b>336803</b>	<b>1726044</b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	1567928	829614	2397542
Restricted	153029	128435	281464
Unrestricted	<u>12404</u>	<u>4571</u>	<u>16975</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>1733361</u></b>	<b>\$ <u>962620</u></b>	<b>\$ <u>2695981</u></b>

The notes to the financial statements are an integral part of this report.

**BATES TOWNSHIP**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
ENTERPRISE FUND**

MARCH 31, 2004

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>
<b><u>OPERATING REVENUES</u></b>			
Charges for Services	\$ 198779	\$ 88450	\$ 287229
Miscellaneous	<u>7926</u>	<u>1066</u>	<u>8992</u>
<b>Total Operating Revenues</b>	<b>206705</b>	<b>89516</b>	<b>296221</b>
<b><u>OPERATING EXPENSES</u></b>			
Personal Services and Benefits	32505	18420	50925
Contractual Services	6194		6194
Repairs and Maintenance	2649		2649
Other Supplies and Expenses	32916	11142	44058
Administrative Expenses	6585	1337	7922
Water Purchases	6684		6684
Depreciation	148177	69757	217934
Miscellaneous	<u>0</u>		<u>0</u>
<b>Total Operating Expenses</b>	<b>235710</b>	<b>100656</b>	<b>336366</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(29005)</b>	<b>(11140)</b>	<b>(40145)</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>			
Interest and Investment Revenue	2253	3536	5789
Interest Expense	<u>(70087)</u>	<u>(16176)</u>	<u>(86263)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(67834)</b>	<b>(12640)</b>	<b>(80474)</b>
<b>CHANGE IN NET ASSETS</b>	<b>(96839)</b>	<b>(23780)</b>	<b>(120619)</b>
<b>NET ASSETS, JULY 01, BEFORE RESTATEMENT</b>			
Add:			
Cumulative Effect of a Change in Accounting Principles	182169	(135980)	46189
	<u>1648031</u>	<u>1122380</u>	<u>2770411</u>
<b>NET ASSETS, JULY 01, AFTER RESTATEMENT</b>	<b>1830200</b>	<b>986400</b>	<b>2816600</b>
<b>NET ASSETS, JUNE 30</b>	<b>\$ 1733361</b>	<b>\$ 962620</b>	<b>\$ 2695981</b>

The notes to the financial statements are an integral part of this report.

**BATES TOWNSHIP**

**COMBINING STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPES**

*FISCAL YEAR ENDED MARCH 31, 2004*

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
<b>CASH FLOWS FROM (USED BY)</b>			
<b><u>OPERATING ACTIVITIES</u></b>			
Net cash received from fees and services	\$ 199780	\$ 88121	\$ 287901
Other operating revenues	7926	1066	8992
Cash payments to employees for services	(33705)	(19757)	(53462)
Cash payments for goods and services	(53317)	(11142)	(64459)
Other operating expenses	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 120684</b>	<b>\$ 58288</b>	<b>\$ 178972</b>
<b><u>NON CAPITAL AND FINANCING ACTIVITIES</u></b>			
Increase (decrease) in due to other funds	(500)	0	(500)
(Increase) decrease in due from other funds	0	0	0
Net operating transfers in (out)	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES</b>	<b>(500)</b>	<b>0</b>	<b>(500)</b>
<b><u>CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>			
Acquisition and construction of capital assets	(13362)	(2484)	(15846)
Principal payment on long-term bonds	(20000)	(84000)	(104000)
Interest paid on long-term bonds	(70087)	(17142)	(87229)
Interest and tax expense	0	0	0
Proceeds from borrowing	0	33500	33500
Contributed capital grants	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(103449)</b>	<b>(70126)</b>	<b>(173575)</b>
<b><u>INVESTING ACTIVITIES</u></b>			
Interest income	<u>2253</u>	<u>3536</u>	<u>5789</u>
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>2253</b>	<b>3536</b>	<b>5789</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>18988</b>	<b>(8302)</b>	<b>10686</b>
Cash and Cash Equivalents, Beginning of Year	<u>173877</u>	<u>179019</u>	<u>352896</u>
Cash and Cash Equivalents, End of Year	\$ 192865	\$ 170717	\$ 363582

The notes to the financial statements are an integral part of this report.

**BATES TOWNSHIP**

**COMBINING STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPES  
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
Operating Income	\$ (29005)	\$ (11140)	\$ (40145)
Adjustment to reconcile operating income to net cash provided by operating activities:			
. Depreciation	148177	69757	217934
. Provision for uncollectible accounts	0	0	0
. Changes in assets and liabilities:			
(Increase) Decrease in accounts receivable	1000	(329)	671
Increase (Decrease) in accounts payable	512	0	512
Increase (Decrease) in deferred revenue	0	0	0
Increase (Decrease) in customer deposits	0	0	0
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ <u>120684</u></b>	<b>\$ <u>58288</u></b>	<b>\$ <u>178972</u></b>

The notes to the financial statements are an integral part of this report.

BATES TOWNSHIP

FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET ASSETS

MARCH 31, 2004

<u>ASSETS</u>	<u>AGENCY FUND</u>
Cash and Cash Equivalents	\$ <u>27508</u>
<b>TOTAL ASSETS</b>	<b>27508</b>
 <u>LIABILITIES</u>	
Due to Other Funds	3226
Due to Other Governmental Units	<u>24282</u>
<b>TOTAL LIABILITIES</b>	<b>27508</b>
 <b>NET ASSETS</b>	 \$ <u><u>0</u></u>

The notes to the financial statements are an integral part of this report.

**NOTES TO THE FINANCIAL  
STATEMENTS**

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting methods and procedures adopted by **Bates Township**, Iron River, Michigan, conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

**THE FINANCIAL REPORTING ENTITY**

The Township was organized in 1885 and covers an area of approximately 80990 acres. The Township operates under an elected board of commissioners (5 people) and provides services to its approximately 966 residents in many areas including law enforcement, general administration and water and sewer services. In accordance with the provisions of GASB 14, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by GASB 14 for determining the various governmental organizations to be included in the reporting entity's financial statements include separation of electing governing body and legal status, and fiscal independence.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Township as discretely presented component units.

**BLENDED COMPONENT UNITS**

A blended component unit is a legally separate entity from the local unit, but it is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government. This is achieved through the discrete presentation method. However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BLENDED COMPONENT UNITS (Continued)**

When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

On this basis, there are no blended component units to be reported.

**JOINT VENTURES**

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**JOINT VENTURES (Continued)**

An ongoing financial responsibility is determined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

There are no joint ventures to be reported.

**JOINTLY GOVERNED ORGANIZATIONS**

A jointly governed organization is a multigovernmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

**West Iron County Fire Board**

The West Iron County Fire Board was organized in 1987 and provides fire protection for Iron River, Bates and Stambaugh Townships, and the City of Iron River, Iron County, Michigan.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**West Iron County Fire Board (Continued)**

The Board operates under an appointed Board of Commissioners (9 people) and provides fire protection services to more than 4500 residents.

The Board is funded by assessments from the participating municipalities.

Financial statements are available by writing to:

West Iron County Fire Board  
P.O. Box 203  
Iron River, Michigan 49935

**West Iron County Volunteer Fire Department**

The West Iron County Volunteer Fire Department was organized in 1987 and consists of volunteer fire fighters from the City of Iron River and the Townships of Bates, Iron River, and Stambaugh.

BATES TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS (Continued)

West Iron County Volunteer Fire Department  
(Continued)

The purpose of the organization is to preserve and protect all life and property as declared by the West Iron County Fire Board.

The officers, elected by a plurality of votes of members present at the annual meeting consist of a Chief, Assistant Chief, First Captain, Second Captain, Training Officer, and Secretary/Treasurer.

Complete financial statements of the West Iron County Volunteer Fire Department can be obtained from:

West Iron County Volunteer Fire Department  
640 9th Street  
Iron River, Michigan 49935

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**RELATED ORGANIZATIONS**

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.

There are no related organizations to be reported.

**BASIS OF PRESENTATION**

The Township follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 adds the following components to the financial statements:

***Management's Discussion and Analysis***

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

**FISCAL YEAR ENDED MARCH 31, 2004**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

***Government-wide financial statements***

These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Annual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

***Statement of Net Assets***

The Statement of Net Assets displays the financial position of the primary government (government and business-type activities).

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

***Statement of Net Assets (Continued)***

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expenses - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government are broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

***Statement of Program Activities***

The statement of program activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION (Continued)**

***Budgetary comparison schedules***

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Township and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The basic financial statements include both government-wide (based on the Township as a whole) and fund financial statements. The reporting model focus is on both the Township as a whole and the fund financial statements, including the major individual funds of governmental and business-type categories, as well as the fiduciary funds (by category).

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)**

Both governmental-wide and fund financial statements presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The Township generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Township may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.).

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)**

The Township does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the Township are organized in the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

BATES TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)

The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The Township's fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency).

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)**

Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The following is a brief description of the specific funds used by the Township.

**GOVERNMENTAL FUNDS**

These funds are those through which most governmental functions typically are financed.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENTAL FUNDS (Continued)**

The acquisition, use, and balances of the Township's expendable financial resources and the related current liabilities, except those accounted for in the Proprietary Fund, are accounted for through the Governmental Funds.

These funds are as follows:

***General Fund***

This fund is used for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit.

BATES TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS

*General Fund (Continued)*

Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

*Special Revenue Funds*

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. The Township's Liquor Law Enforcement and Road Repair Funds are Special Revenue Funds.

The Road Repair Fund is considered a major fund for reporting purposes.

BATES TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPRIETARY FUNDS

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises----where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

The Township's Water Fund and Sewer Fund are Enterprise Funds.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**FIDUCIARY FUNDS**

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds. The Township's Current Tax Collection Fund is a Fiduciary Fund.

Accounting for Expendable Trust funds parallels accounting for governmental funds (modified accrual basis/approximate flow of current financial resources).

**MEASUREMENT FOCUS**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**MEASUREMENT FOCUS (Continued)**

With this measurement focus, only current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statement of net assets and statement of activities, all proprietary funds, and private purpose trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus.

With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**MEASUREMENT FOCUS (Continued)**

Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities, and financial statements of the Proprietary Fund and the Fiduciary Fund are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General and Special Revenue funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**MEASUREMENT FOCUS (Continued)**

Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenue is considered to be measurable and available as revenue when related eligible expenditures are incurred.

Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**MEASUREMENT FOCUS (Continued)**

The local government unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

It is the Township's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**CASH AND CASH EQUIVALENTS**

The Township pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The Township classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

**INVENTORIES**

Inventories of supplies are expended as received.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**RECEIVABLES**

Accounts which will be collected within sixty days of year-end are accrued as accounts receivable in the General and Special Revenue Funds. User charges for the Proprietary Fund are recorded as receivable when billed. On an annual basis the charges are reviewed for collectibility. Those deemed uncollectible are assigned to the tax roll.

**INTEREST RECEIVABLE**

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

**DUE TO/FROM OTHER FUNDS**

Transactions between funds that had not been paid or received as of fiscal year end have been recorded as interfund accounts receivable and payable in the financial statements.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**DUE TO/FROM OTHER FUNDS (Continued)**

These interfund receivables and payables do not represent Board-approved loans between funds.

**DEFERRED REVENUE**

Deferred revenue represents amounts under the modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

**FUND EQUITY**

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances represent the amount that has been legally identified for specific purposes.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**FUND EQUITY (Continued)**

Designated fund balances represent amounts earmarked by the Township for future expenditures.

Unreserved retained earnings represent net assets available for future operations or distribution. Reserved retained earnings represent net assets that have been legally identified for specific purposes. Designated retained earnings represent amounts earmarked by the Township for future expenditures.

**BUDGETS AND BUDGETARY ACCOUNTING**

The Township follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting procedures. Budgets are adopted on a basis consistent with generally accepted accounting principles.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**BUDGETS AND BUDGETARY ACCOUNTING  
(Continued)**

Annual appropriated budgets are adopted for the general and special revenue funds. Unexpended appropriations lapse at fiscal year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31 of the preceding fiscal year, the Township prepares a budget for the next fiscal year beginning April 01. The operating budget includes proposed expenditures and the means of financing them.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**BUDGETS AND BUDGETARY ACCOUNTING  
(Continued)**

2. A meeting of the Township Board is then called for the purpose of adopting the proposed budget after sufficient public notice of the meeting has been given.
3. Prior to April 01, the budget is legally enacted through passage of a resolution by the members of the Township Board.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Township Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**PROPERTY TAX**

Property taxes are levied on December 31 and payable in two installments, July 01 and December 01. The Township bills and collects its own property taxes and also collects taxes for the school districts, county, and library.

Collections for the schools, county, and library are accounted for in the Trust and Agency Fund. Township property tax revenues are recognized when levied to the extent they are receivable. The County of Iron purchases from the Township the delinquent real property taxes outstanding as of March 31 of each year.

The 2003 taxable valuation of the Township totaled \$ 28,606,704, on which ad valorem taxes levied consisted of 3.06 mills for general operating purposes. An additional 1 mill was levied for roads.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**NON-MONETARY TRANSACTIONS**

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

**CAPITAL ASSETS**

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds (when applicable) and as assets in the governmental-wide statements to the extent the Township's capitalization threshold of \$ 500 is met.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**CAPITAL ASSETS (Continued)**

Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings.....	20 - 30 years
Infrastructure.....	10 - 65 years
Furniture and Other Equipment.....	5 - 20 years

To the extent the Township's capitalization threshold of \$ 500 is met, capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the governmental-wide basis using the straight-line method and the following estimated useful lives:

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**CAPITAL ASSETS (Continued)**

Land Improvements..... 20 years

Equipment..... 5 - 20 years

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**COMPENSATED ABSENCES**

The Township has no employees eligible to accrue vacation or sick pay.

**POST-EMPLOYMENT BENEFITS**

The Township offers no post-employment benefits.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE B - INTERFUND ACTIVITIES (CONTINUED)**

**INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables do not represent interfund borrowings; instead, they represent actual amounts which are pending between funds at year-end due to the timing of cash flows. Generally, these amounts clear shortly after year-end when resources become available.

The amounts of the interfund receivables and payables as of March 31, 2004 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 92087	\$ 0
Liquor Law Enforcement	0	182
Water	0	44829
Sewer	0	43850
Trust and Agency	0	3226
<b>Totals</b>	<b>\$ 92087</b>	<b>\$ 92087</b>

BATES TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE B - INTERFUND ACTIVITIES (CONTINUED)

OPERATING TRANSFERS

Interfund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

During the current fiscal year ended March 31, 2004, the Township authorized the following transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 0	\$ 25525
Road Fund	<u>25525</u>	<u>0</u>
Totals	\$ <u>25525</u>	\$ <u>25525</u>

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE B - INTERFUND ACTIVITIES (CONTINUED)**

**OTHER FINANCING SOURCES (USES)**

The transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS**

**REVENUE BONDS - WATER**

The funding requirements of Rural Economic and Community Development stipulate that separate accounts be established and funded as follows:

**RECEIVING FUND**

All gross income and revenue are first deposited in the Water Receiving Fund account. Monies so deposited shall be expended and used as required to properly fund the other accounts.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS**

**REVENUE BONDS - WATER (Continued)**

**OPERATION AND MAINTENANCE**

A sufficient portion of income and revenue must be deposited to pay reasonable and necessary current expenses of administration, operating, and maintaining the system.

**BOND AND INTEREST REDEMPTION**

Each quarter, deposits must be made to this account for payment of principle and interest on the Bonds in a sum equal to or not less than one fourth of the annual interest and principal on the Bonds.

On March 31, 2004, the balance in this account was \$ 17,735.

**BOND RESERVE**

A minimum of \$ 2,325, per quarter must be deposited in this account until there is accumulated the sum of \$ 93,000.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE C- CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**RESERVE BONDS - WATER (Continued)**

**BOND RESERVE (Continued)**

The monies in this account are to be used solely for the payment and interest on said bonds as to which there would otherwise be default. On March 31, 2004, the total in the Bond Reserve account was \$ 81,441.

**REPLACEMENT FUND**

Revenues are to be transferred each quarter to the Replacement Fund in such amount as determined by resolution of the Township Board to be used and disbursed only for the purpose of paying the cost of repairing any damage to the System, or repairing or replacing obsolete, deteriorating, deteriorated or worn out portions of the System, and, when necessary, for the purpose of making payments of principal and interest on the Bonds. On March 31, 2004, the Replacement Fund has a cash balance of \$ 26,828.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE C- CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**RESERVE BONDS - WATER (Continued)**

**IMPROVEMENT FUND**

This optional fund is to be used and disbursed only for the purpose of paying the cost of making improvements to the System, and when necessary, for the purpose of making payments of principal and interest on the Bonds. The Township's Improvement Fund had a March 31, 2004 balance of \$ 26,828.

The funding requirements of Farmer's Home Administration stipulate that separate accounts be established and funded as follows:

**REVENUE BONDS - SEWER**

**RECEIVING FUND**

All gross income and revenue are first to be deposited in the Sanitary Sewage System Receiving Fund Account. Monies so deposited shall be expended and used as required to properly fund the other accounts.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE C- CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**REVENUE BONDS - SEWER (Continued)**  
**OPERATION AND MAINTENANCE ACCOUNTS**

A sufficient portion of income and revenue must be deposited to pay the reasonable and necessary current expenses of administration, operating, and maintaining the System.

**BOND AND INTEREST REDEMPTION**

Each quarter, deposits must be made to this account for payment of principal and interest on the bonds in a sum equal to or not less than one fourth of the annual interest and principle payment of FmHA bonds.

The balance in this account on March 31, 2004 was \$ 40,781.

**BOND RESERVE**

A minimum of \$ 500 per quarter must be deposited in this account until there is accumulated the sum of \$ 33,000.

BATES TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE C- CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

REVENUE BONDS - SEWER (Continued)

BOND RESERVE (Continued)

The monies in this account are to be used solely for the payment of the principal and interest on said bonds as to which there would otherwise be default.

On March 31, 2004, the total in the Bond Reserve account was \$ 33,000.

GENERAL PURPOSE ACCOUNT

The balance of income and revenue after the required transfers to the other accounts, is to be deposited to a General Purpose Account to be used for paying the cost of repairing (or replacing) any damage to the System and for extending or improving the System. Total deposits to the General Purpose Account need not exceed the sum of \$ 15,000.

On March 31, 2004, the General Purpose Account had a balance of \$ 44,627.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE C- CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**REVENUE BONDS - SEWER (Continued)**

**GENERAL PURPOSE ACCOUNT (Continued)**

The Township also has reserved \$ 10,027 in a Bond Reserve account to be used for payment of principal and interest on the Junior Lien Bond through the Miners State Bank.

As of March 31, 2004, the Township is in compliance with the above funding requirements.

**PRIMARY GOVERNMENT**

On March 31, 2004, the carrying value of the Township's deposits (Primary Government) was \$ 513,366 and is comprised of cash and deposits reflected in the following funds:

BATES TOWNSHIP
----------------

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE C- CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT (Continued)

<i>Governmental Funds</i>	
General Fund	\$ 121455
Liquor Law Enforcement Fund	<u>821</u>
<i>Total Governmental Funds</i>	122276
<i>Enterprise Funds</i>	
Water Fund	192865
Sewer Fund	<u>170717</u>
<i>Total Enterprise Funds</i>	363582
<i>Fiduciary Funds</i>	
Tax Collection Fund	<u>27508</u>
<i>Total Fiduciary Funds</i>	27508
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 513366</b>

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

The three levels of risk are as follows:

- |                   |  |
|-------------------|--|
| <b>Category 1</b> | Deposits which are insured or collateralized with securities held by the Township or by its agent in the Township's name.                        |
| <b>Category 2</b> | Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name. |

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

Category 3                      Deposits which are not  
   collateralized or  
   insured.

Based on these levels of risk, the  
Township's cash deposits (Primary  
Government) are classified as follows:

**SCHEDULE OF CASH AND DEPOSITS**

**PRIMARY GOVERNMENT**

	<u>Category</u> <u>1</u>	<u>Category</u> <u>2</u>	<u>Category</u> <u>3</u>	<u>Totals</u>
Cash and Deposits	\$ 374057	\$ -0-	\$ 139309	\$ 513366

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**INVESTMENTS**

The Township's investments are categorized below to give an indication of the level of risk assumed at year-end. **Category 1** includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. **Category 2** includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the Township's name. **Category 3** includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the Township's name.

There are no investments for the Township, as reflected below:

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**INVESTMENTS** (Continued)

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total Investments	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

**STATUTORY AUTHORITY**

Act 196, PA 1997, authorizes the Township to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

BATES TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**STATUTORY AUTHORITY (Continued)**

5. Bankers acceptances of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

The Township has adopted an investment policy, allowing for all types of deposits and investments listed above. The Township's deposits and investments are in compliance with its investment policy.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE D - PENSION PLAN**

**DESCRIPTION OF PLAN AND PLAN ASSETS**

Bates Township is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2002.

MERS was organized pursuant to Section 12a of Act#156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE D - PENSION PLAN (CONTINUED)**

**DESCRIPTION OF PLAN AND PLAN ASSETS**  
**(Continued)**

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system.

That report may be obtained by writing to:

MERS  
447 North Canal Street  
Lansing, Michigan 48917-9755

**FUNDING POLICY**

The obligation to contribute to and maintain the system for these employees was established by personnel policy, which does not require employees to contribute to the plan. The Township is required to contribute at an actuarially determined rate; the current rate is 20.51 percent at December 31, 2002.

BATES TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE D - PENSION PLAN (CONTINUED)

ANNUAL PENSION PLAN

During the fiscal year ended March 31, 2004, the Township's contributions totaling \$10,317 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2002.

The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years.

The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit.

BATES TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE D - PENSION PLAN (CONTINUED)

ANNUAL PENSION PLAN (Continued)

Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on age-related scale to reflect merit, longevity, and promotional salary increases.

THREE YEAR TREND INFORMATION FOR GASB STATEMENT NO. 27

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of AP Contribution</u>
2000	\$ 10233	100%
2001	10824	100%
2002	10860*	100%

\* Based on Valuation Payroll. Actual contributions will be based on actual reported monthly pays, and will be different from the above amounts.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE D - PENSION PLAN (CONTINUED)**

**REQUIRED SUPPLEMENTARY INFORMATION FOR GASB STATEMENT NO. 25**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/00	\$ 54831	\$ 156741	\$ 101910	35%	\$ 48165	212%
12/31/01	70305	183287	112982	38%	52792	214%
12/31/02	85999	197022	111023	44%	53329	208%

**GASB 5 AND GASB 27 INFORMATION**

The following information has been prepared to provide the information necessary to comply with GASB Statements 25 and 27. Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1998.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE D - PENSION PLAN (CONTINUED)**

**GASB 5 AND GASB 27 INFORMATION (Continued)**

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2002 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

**GASB 25 INFORMATION (as of 12/31/02)**

Actuarial Accrued Liability		
Retirees and beneficiaries currently receiving benefits	\$	0
Terminated employees not yet receiving benefits		0
Actuarial Accrued Liability		
Current employees -	\$	
Accumulated employee contributions including		0
allocated investment income		
Employer Financed		<u>197,022</u>
Total Actuarial Accrued Liability		197,022
Net Assets Available for Benefits at Actuarial Value	\$	<u>85,999</u>
(Market Value is \$ 63,569)		
Unfunded (Overfunded) Actuarial Accrued Liability	\$	111,023

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE D - PENSION PLAN (CONTINUED)**

**GASB 27 INFORMATION (as of 12/31/02)**

Fiscal Year Beginning	April 1, 2004
Annual Required Contribution (ARC)	\$ 10,860
Amortization Factor Used	0.053632

**NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

**BUDGET VIOLATIONS**

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated. The Township's actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS  
(CONTINUED)**

**BUDGET VIOLATIONS (Continued)**

The approved budgets of Bates Township were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as financial statements.

The total actual 2003-2004 expenditures for the following activities (cost centers) exceeded the amended budget allocations by a total of \$ 156,938 contrary to the provisions of section 17 of Public Act 621 of 1978, the "Uniform Budgeting and Accounting Act".

<u>ACTIVITY (COST CENTER)</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>OVER EXPENDITURES</u>
<u>General Fund</u>			
Township Board	\$ 13598	\$ 12448	\$ 1150
Zoning	4786	3873	913
Township Property	30305	25247	5058

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS  
(CONTINUED)**

**BUDGET VIOLATIONS (Continued)**

<u>ACTIVITY (COST CENTER)</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>OVER EXPENDITURES</u>
<u>General Fund</u> (Con't)			
Department of Public Works	\$ 39603	\$ 36167	\$ 3436
Recreation and Cultural	33576	27823	5753
Capital Outlay	31597	1000	30597
<u>Road Fund</u>			
Contracted Services	\$ 110031	\$ 0	\$ 110031

**NOTE F - ACCUMULATED FUND DEFICITS**

At March 31, 2004, the Township had no fund balance/retained earnings deficit in any fund.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE G - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in the past three fiscal years.

**NOTE H - CAPITAL ASSETS**

The following is a summary of the changes in capital assets for the fiscal year ended March 31, 2004:

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE H - CAPITAL ASSETS (CONTINUED)**

	Balance March 31, 2003	<u>Increases</u>	<u>Decreases</u>	Balance March 31, 2004
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
Capital Assets Not Being Depreciated	\$	\$	\$	\$
Land and Land Improvements	<u>16218</u>	<u>0</u>	<u>0</u>	<u>16218</u>
Total Capital Assets Not Being Depreciated	\$ 16218	\$ 0	\$ 0	\$ 16218
<b><u>Other Capital Assets</u></b>				
Buildings	125642	13979	0	139621
Furniture & Other Equip.	<u>98861</u>	<u>17618</u>	<u>0</u>	<u>116479</u>
Total Other Cap. Assets	\$ 224503	\$ 31597	\$ 0	\$ 256100
<b><u>Less Accumulated Depreciation for:</u></b>				
Buildings	(66858)	(1471)	0	(68329)
Furniture & Other Equip.	<u>(78405)</u>	<u>(12243)</u>	<u>0</u>	<u>(90648)</u>
Total Accum. Depreciation	(145263)	(13714)	0	(158977)
Other Capital Assets, Net	79240	17883	0	97123
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	\$ <u>95458</u>	\$ <u>17883</u>	\$ <u>0</u>	\$ <u>113341</u>

Depreciation was charged to governmental functions as unallocated.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE H - CAPITAL ASSETS (CONTINUED)**

**BUSINESS-TYPE ACTIVITIES**

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended March 31, 2004:

	Balance March 31, <u>2003</u>	<u>Increases</u>	<u>Decreases</u>	Balance March 31, <u>2004</u>
<b><u>BUSINESS-TYPE ACTIVITIES</u></b>				
<b><u>Capital Assets Not Being Depreciated:</u></b>				
Land	\$ 0	\$ 0	\$ 0	\$ 0
<b><u>Other Capital Assets:</u></b>				
Machinery and Equipment	6397	13362	0	19759
Water Mains/Lines	3798360	0	0	3798360
Sewer Mains/Lines	<u>2692559</u>	<u>2484</u>	<u>0</u>	<u>2695043</u>
<b>Total Capital Assets</b>	<b>\$ 6497316</b>	<b>\$ 15846</b>	<b>\$ 0</b>	<b>\$ 6513162</b>

(Continued on page 91)

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE H - CAPITAL ASSETS (CONTINUED)**

**BUSINESS-TYPE ACTIVITIES (Continued)**

(Continued from previous page)

	Balance March 31, <u>2003</u>	<u>Increases</u>	<u>Decreases</u>	Balance March 31, <u>2004</u>
Less Accumulated <u>Depreciation for:</u>				
Machinery and Equipment	\$ (2903)	\$ (2128)	\$ 0	\$ (5031)
Water Mains/Lines	(771307)	(147130)	0	(918437)
Sewer Mains/Lines	<u>(1509477)</u>	<u>(68675)</u>	<u>0</u>	<u>(1578152)</u>
Total Accumulated Depreciation	<u>(2283687)</u>	<u>(217933)</u>	<u>0</u>	<u>(2501620)</u>
 TOTAL BUSINESS-TYPE ACTIVITIES	 \$ <u>4213629</u>	 \$ <u>(202087)</u>	 \$ <u>0</u>	 \$ <u>4011542</u>

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE I - LONG-TERM DEBT**

The following is a summary of changes of the primary government's long-term debt obligation on March 31, 2004.

**GOVERNMENTAL ACTIVITIES**

	<u>APRIL 01, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>MARCH 31, 2004</u>
<b><u>BUSINESS-TYPE ACTIVITIES</u></b>				
Water Supply System Project	\$ 1345000	\$ -0-	\$ 20000	\$ 1325000
Sanitary Sewage System Revenue Bonds	<u>306000</u>	<u>-0-</u>	<u>17000</u>	<u>289000</u>
<b>TOTALS</b>	<b>\$ <u>1651000</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>37000</u></b>	<b>\$ <u>1614000</u></b>

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE H - LONG-TERM DEBT (CONTINUED)**

**WATER SUPPLY SYSTEM PROJECT**

The Township received funding through the Rural Economic and Community Development Services, U.S. Department of Agriculture for improvements to its water supply system. The cost of the Project was \$ 3,260,000, and the period of usefulness of the Project is estimated to be not less than forty (40) years.

To pay part of the cost of acquiring and constructing the Project, the Township borrowed the sum of One Million Four Hundred Sixty Seven Thousand Dollars (\$ 1,467,000) and revenue bonds have been issued pursuant to the provisions of Act 94. The balance of the cost of the Project is financed primarily by grant funds, approved in the amount of \$ 1,793,000.

BATES TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE H - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY SYSTEM PROJECT (Continued)

On 9/15/94, the Township issued a 1994 Water Supply System Revenue Bond (General Obligation Limited Tax) as one single fully registered Bond numbered R-1 of the denomination of \$ 1,467,000 payable on September 1st of each year. Interest is payable semiannually on September 1st and March 1st of each year at 5.25% per annum.

The requirements to amortize all debt outstanding as of March 31, 2004, including interest payments are as follows:

	<u>March 1</u> <u>Interest</u>	<u>Principal</u>	<u>September 1</u> <u>Interest</u>	<u>Total</u>
2004	\$	\$ 20000	\$ 34781	\$ 54781
2005	34256	25000	34256	93512
2006	33600	30000	33600	97200

(Continued on page 95)

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE H - LONG-TERM DEBT (CONTINUED)**

**WATER SUPPLY SYSTEM PROJECT (Continued)**

	<u>March 1</u> <u>Interest</u>	<u>Principal</u>	<u>September 1</u> <u>Interest</u>	<u>Total</u>
2007	\$ 32813	\$ 30000	\$ 32813	\$ 95626
2008	32025	30000	32025	94050
2009	31238	30000	31238	92476
2010	30450	35000	30450	95900
2011	29531	35000	29531	94062
2012-2034	<u>378656</u>	<u>1090000</u>	<u>378656</u>	<u>1847312</u>
<b>Totals</b>	<b>\$ <u>602569</u></b>	<b>\$ <u>1325000</u></b>	<b>\$ <u>637350</u></b>	<b>\$ <u>2564919</u></b>

Subsequent to the completion of the Water Supply System project, the Township undertook the construction of an elevated cylinder tank, necessitated by unacceptably low water pressure conditions.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE H - LONG-TERM DEBT (CONTINUED)**

**WATER SUPPLY SYSTEM PROJECT (Continued)**

The project was funded by a 75% federal grant with the local match funded by U.P. Engineers & Architects, Inc. and their insurance company. The project was completed at no cost to the Township.

**REVENUE BONDS - SEWER**

\$538,000 of sanitary sewage system revenue bonds were issued in previous years for the purpose of partial funding of the Bates Township's sanitary sewer system. The bonds are payable solely from the net income and revenues derived from the operation of the system. Interest (5%) and principal are payable as follows:

<u>Year</u>	<u>January 1</u>		<u>July 1</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2004	\$	\$	\$ 7225	\$ 7225
2005	18000	7225	6775	32000

(Continued on page 97)

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE H - LONG-TERM DEBT (CONTINUED)**

**REVENUE BONDS - SEWER (Continued)**

(Continued from previous page)

<u>Year</u>	<u>January 1</u>		<u>July 1</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2006	19000	6775	6300	32075
2007	20000	6300	5800	32100
2008	21000	5800	5275	32075
2009	22000	5275	4725	32000
2010	22000	4725	4175	30900
2011	23000	4175	3600	30775
2012-2017	<u>144000</u>	<u>12600</u>	<u>9000</u>	<u>165600</u>
	\$ <u>289000</u>	\$ <u>52875</u>	\$ <u>52875</u>	\$ <u>394750</u>

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE I - SEGMENT INFORMATION - Enterprise Funds**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 206705	\$ 89516	\$ 296221
Depreciation and Amortization Expense	148177	69757	217934
Operating Income or (Loss)			
Operating Grants, Entitlements, and Shared Revenues	0	0	0
Operating Transfers:			
In	0	0	0
(Out)	0	0	0
Tax Revenues	0	0	0
Net Income or Loss	(96839)	(23780)	(120619)

(Continued on page 99)

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE I - SEGMENT INFORMATION - Enterprise Funds (CONTINUED)**

(Continued from previous page)

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Enterprise Funds</u>
Current Capital:	\$	\$	\$
Contributions	0	0	0
Transfers	0	0	0
Property, Plant, and Equipment			
Additions	0	2484	2484
Deletions	0	0	0
Net Working Capital	145433	113006	258439
Total Assets	3122602	1299423	4422025
Bonds and Other Long-Term			
Liabilities			
Payable from Operating Revenues	1305000	269000	1574000
Payable from Other Sources	0	0	0
Total Equity	\$ 1733361	\$ 962620	\$ 2695981

BATES TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

NOTE J - RELATED PARTY TRANSACTIONS

*Related parties* exist when there is a relationship that offers the potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

On this basis, there were no related party transactions reported in the financial statements.

**BATES TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**NOTE K - SUBSEQUENT EVENTS**

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure.

They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended March 31, 2004, there were no subsequent events that would have a significant affect on the Township's operations.

**NOTE L - COMMITMENTS AND CONTINGENCIES**

There are no commitments or contingencies to be reported as of March 31, 2004.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BATES TOWNSHIP**

**REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

YEAR ENDED MARCH 31, 2004

<u>REVENUES</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>
General property taxes	\$ 90090	\$ 90090	\$ 85960
Other local taxes/administration fees	8100	8100	12822
Licenses, permits, and fees	1500	1500	3190
Sale of property	0	0	0
Use of money and property	3220	3220	4367
Charges for services-tax collection	6000	6000	12162
Cemetery revenues	500	500	1400
Miscellaneous	100	100	766
Intergovernmental	<u>87000</u>	<u>87000</u>	<u>78762</u>
<b>TOTAL REVENUES</b>	<b>196510</b>	<b>196510</b>	<b>199429</b>
<u>EXPENDITURES</u>			
General government	81525	81525	72289
Legislative	12448	12448	13598
Township property	25247	25247	30305
Department of Public Works	36167	36167	39603
Public Safety	31000	31000	31000
Recreation and Culture	27823	27823	33576
Capital Outlay	<u>1000</u>	<u>1000</u>	<u>31597</u>
<b>TOTAL EXPENDITURES</b>	<b>215210</b>	<b>215210</b>	<b>251968</b>
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers in	0	0	0
Operating transfers out	<u>(20000)</u>	<u>(20000)</u>	<u>(25525)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(20000)</b>	<b>(20000)</b>	<b>(25525)</b>
NET CHANGE IN FUND BALANCE	(38700)	(38700)	(78064)
FUND BALANCE, APRIL 01	301154	301154	301154
FUND BALANCE, MARCH 31	\$ <u>262454</u>	\$ <u>262454</u>	\$ <u>223090</u>

The notes to the financial statements are an integral part of this report.

<b>BATES TOWNSHIP</b> <b>REQUIRED SUPPLEMENTAL INFORMATION</b> <b>BUDGETARY COMPARISON SCHEDULE - ROAD REPAIR</b>
---

YEAR ENDED MARCH 31, 2004

<u>REVENUE</u>	\$ <u>ORIGINAL BUDGET</u>	\$ <u>FINAL AMENDED BUDGET</u>	\$ <u>ACTUAL</u>
Property taxes	28600	28600	36977
<b>TOTAL REVENUE</b>	<b>28600</b>	<b>28600</b>	<b>36977</b>
 <u>EXPENDITURES</u>			
Public Works	28600	28600	112418
<b>TOTAL EXPENDITURES</b>	<b>28600</b>	<b>28600</b>	<b>112418</b>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 0	 0	 (75441)
 <u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers in	0	0	25525
 NET CHANGE IN FUND BALANCE	 0	 0	 (49916)
 FUND BALANCE, APRIL 01	 49916	 49916	 49916
<b>FUND BALANCE, MARCH 31</b>	<b>\$ <u>49916</u></b>	<b>\$ <u>49916</u></b>	<b>\$ <u>0</u></b>

The notes to the financial statements are an integral part of this report.

**OTHER SUPPLEMENTARY INFORMATION**

**BATES TOWNSHIP**

**OTHER SUPPLEMENTAL INFORMATION  
BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS**

MARCH 31, 2004

	<b>LIQUOR LAW ENFORCEMENT FUND</b>
<b><u>ASSETS</u></b>	
Cash and Investments (Note C)	\$ 821
<b>TOTAL ASSETS</b>	<b>\$ 821</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>	
<b><u>LIABILITIES</u></b>	
Due to Other Funds	182
<b>TOTAL LIABILITIES</b>	<b>182</b>
<b><u>FUND BALANCES</u></b>	
Reserved for Liquor Law Enforcement	639
<b>TOTAL FUND BALANCES</b>	<b>639</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 821</b>

The notes to the financial statements are an integral part of this report.

BATES TOWNSHIP
----------------

OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUND

MARCH 31, 2004

<u>REVENUE</u>	<u>LIQUOR LAW ENFORCEMENT FUND</u>
Intergovernmental	\$ <u>385</u>
TOTAL REVENUE	\$ 385
<u>EXPENDITURES</u>	
Current:	
Public safety	<u>182</u>
TOTAL EXPENDITURES	\$ 182
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	203
FUND BALANCES - BEGINNING OF YEAR	436
FUND BALANCES - END OF YEAR	\$ <u><u>639</u></u>

The notes to the financial statements are an integral part of this report.

BATES TOWNSHIP
----------------

COMBINING BALANCE SHEET  
ALL SPECIAL REVENUE FUNDS

MARCH 31, 2004

<u>ASSETS</u>	<u>Liquor Law Enforcement</u>	<u>Road Repair</u>	<u>Totals</u>
Cash	\$ 821	\$ -0-	\$ 821
Due From Other Funds	<u>0</u>	<u>-0-</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<b><u>821</u></b>	<b><u>-0-</u></b>	<b><u>821</u></b>
 <u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Due To Other Funds	<u>182</u>	<u>-0-</u>	<u>182</u>
<b>Total Liabilities</b>	<b>182</b>	<b>-0-</b>	<b>182</b>
 <u>FUND EQUITY</u>			
Fund Balance	<u>639</u>	<u>-0-</u>	<u>639</u>
<b>Total Fund Equity</b>	<b>639</b>	<b>-0-</b>	<b>639</b>
 <b>TOTAL LIABILITIES AND FUND EQUITY</b>	 <b>\$ <u>821</u></b>	 <b>\$ <u>-0-</u></b>	 <b>\$ <u>821</u></b>

The notes to the financial statements are an integral part of this report.

BATES TOWNSHIP
----------------

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY  
ALL SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED MARCH 31, 2004

<u>REVENUES</u>	<u>Liquor Law Enforcement</u>	<u>Road Repair</u>	<u>Totals</u>
Property taxes	\$	\$ 36977	\$ 36977
State grants	<u>385</u>	<u>        </u>	<u>385</u>
<b>TOTAL REVENUES</b>	<b>385</b>	<b>36977</b>	<b>37362</b>
 <u>EXPENDITURES</u>			
Personal Services	182		182
Contracted Services		110031	110031
Supplies		0	0
Maintenance		2387	2387
Miscellaneous	<u>        </u>	<u>0</u>	<u>0</u>
<b>TOTAL EXPENDITURES</b>	<b>182</b>	<b>112418</b>	<b>112600</b>
Excess of Revenues Over (Under) Expenditures	203	(75441)	(75238)
 <u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfer In (Out)	<u>0</u>	<u>25525</u>	<u>25525</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	203	(49916)	(49713)
 FUND EQUITY, APRIL 1	 <u>436</u>	 <u>49916</u>	 <u>50352</u>
FUND EQUITY, MARCH 31	\$ <u>639</u>	\$ <u>-0-</u>	\$ <u>639</u>

The notes to the financial statements are an integral part of this report.

**BATES TOWNSHIP**

**COMBINING BALANCE SHEET  
ALL PROPRIETARY FUND TYPES**

MARCH 31, 2004

	<u>WATER SUPPLY SYSTEM FUND</u>	<u>SEWER SYSTEM FUND</u>	<u>TOTALS</u>
<b><u>ASSETS</u></b>			
Cash and Deposits:			
Restricted	\$ 153029	\$ 128435	\$ 281464
Unrestricted	39836	42282	82118
Accounts Receivable	36809	10092	46901
Property, Plant, and Equipment	3812707	2700455	6513162
Accumulated Depreciation	<u>(919779)</u>	<u>(1581841)</u>	<u>(2501620)</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>3122602</u></b>	<b>\$ <u>1299423</u></b>	<b>\$ <u>4422025</u></b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 512	\$ 0	\$ 512
Accrued Interest	0	3953	3953
Revenue Bonds Payable	1325000	289000	1614000
Due to Other Funds	44829	43850	88679
Deferred Revenue	<u>\$ 18900</u>		<u>18900</u>
<b>Total Liabilities</b>	<b>1389241</b>	<b>336803</b>	<b>1726044</b>
<b><u>FUND EQUITY</u></b>			
Retained Earnings	<u>1733361</u>	<u>962620</u>	<u>2695981</u>
<b>Total Fund Equity</b>	<b><u>1733361</u></b>	<b><u>962620</u></b>	<b><u>2695981</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ <u>3122602</u></b>	<b>\$ <u>1299423</u></b>	<b>\$ <u>4422025</u></b>

The notes to the financial statements are an integral part of this report.

**BATES TOWNSHIP**

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES**

FISCAL YEAR ENDED MARCH 31, 2004

	WATER SUPPLY SYSTEM FUND	SEWER SYSTEM FUND	TOTALS
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 198779	\$ 88450	\$ 287229
Miscellaneous Revenue	3497	1066	4563
Logging Proceeds	<u>4429</u>		<u>4429</u>
<b>TOTAL OPERATING REVENUES</b>	<b>206705</b>	<b>89516</b>	<b>296221</b>
<b>OPERATING EXPENSES</b>			
Personal Services	\$ 30110	\$ 17364	\$ 47474
Administrative and Clerical	6585	1337	7922
Fringe Benefits	2395	1056	3451
Lift Stations/Equipment		11142	11142
Pump House	32370		32370
Professional Fees/Contract Labor	6194		6194
Equipment, Repair and Maintenance	2649		2649
Water Lines and Tank	546		546
Depreciation	148177	69757	217934
Water Purchases	6684		6684
Miscellaneous	<u>0</u>		<u>0</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>235710</u></b>	<b><u>100656</u></b>	<b><u>336366</u></b>
Operating Profit (Loss)	(29005)	(11140)	(40145)
<b>NON-OPERATING INCOME</b>			
Interest Income	2253	3536	5789
<b>NON-OPERATING EXPENSE</b>			
Interest Expense	(70087)	(16176)	(86263)
Net Income (Loss)	<u>(96839)</u>	<u>(23780)</u>	<u>(120619)</u>
RETAINED EARNINGS, April 01, before restatement	182169	(135980)	46189
Add: Cumulative Effect of a change in accounting principles	<u>1648031</u>	<u>1122380</u>	<u>2770411</u>
RETAINED EARNINGS, April 01, after restatement	1830200	986400	2816600
<b>RETAINED EARNINGS, MARCH 31</b>	<b>\$ <u>1733361</u></b>	<b>\$ <u>962620</u></b>	<b>\$ <u>2695981</u></b>

The notes to the financial statements are an integral part of this report.

BATES TOWNSHIP

BALANCE SHEET  
GENERAL FUND

MARCH 31, 2004

ASSETS

Cash and Deposits:	
Restricted	\$ 0
Unrestricted	121455
Receivables:	
Taxes	11785
Accounts	0
Due from Other Funds	92087
<b>TOTAL ASSETS</b>	<b>\$ 225327</b>

LIABILITIES AND FUND EQUITY  
LIABILITIES

Accounts Payable	0
Accrued Interest and Taxes	2237
Due to Other Funds	0
<b>Total Liabilities</b>	<b>2237</b>

FUND EQUITY

Fund Balance	
Unreserved	223090
<b>Total Fund Equity</b>	<b>223090</b>

<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 225327</b>
--	------------------

The notes to the financial statements are an integral part of this report.

**BATES TOWNSHIP**

**STATEMENT OF REVENUES  
GENERAL FUND - ACTUAL AND BUDGET**

*FISCAL YEAR ENDED MARCH 31, 2004*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>Taxes</u></b>			
Current Tax Levy	\$ 85960	\$ 90090	\$ (4130)
Administrative Fees	5654	2000	3654
Interest and Penalties On Taxes	786	100	686
Commercial Forest/Swamp Tax	6378	6000	378
Other Taxes	<u>4</u>	<u>0</u>	<u>4</u>
Total Taxes	98782	98190	592
<b><u>State-Shared Receipts</u></b>			
Sales Tax	<u>78762</u>	<u>87000</u>	<u>(8238)</u>
Total State-Shared Receipts	78762	87000	(8238)
<b><u>Charges for Services</u></b>			
Cemetery	1400	500	900
Parks & Recreation	2690	1000	1690
Tax Collection	<u>12162</u>	<u>6000</u>	<u>6162</u>
Total Charges for Services	16252	7500	8752
<b><u>Interest and Rental</u></b>			
Interest	2877	2720	157
Hall Rental	<u>1490</u>	<u>500</u>	<u>990</u>
Total Interest and Rental	4367	3220	1147
<b><u>Other Revenue</u></b>			
Zoning Permits/Fees	500	500	0
Miscellaneous	<u>766</u>	<u>100</u>	<u>666</u>
Total Other Revenue	<u>1266</u>	<u>600</u>	<u>666</u>
<b>TOTAL REVENUES - GENERAL FUND</b>	<b>\$ <u>199429</u></b>	<b>\$ <u>196510</u></b>	<b>\$ <u>2919</u></b>

The notes to the financial statements are an integral part of this report.

**BATES TOWNSHIP**

**STATEMENT OF EXPENDITURES  
GENERAL FUND - ACTUAL AND BUDGET**

*FISCAL YEAR ENDED MARCH 31, 2004*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>LEGISLATIVE</b>			
<i>Township Board</i>			
Salaries	\$ 2461	\$	\$
Fringe Benefits	564		
Legal Services	4994		
Accounting and Audit	3053		
Printing and Publishing	430		
Mileage	0		
Professional Fees	272		
Membership Dues/Education	574		
Supplies	257		
Telephone	0		
Other	993		
<b>TOTAL LEGISLATIVE</b>	<b>\$ 13598</b>	<b>\$ 12448</b>	<b>\$ (1150)</b>
 <b>GENERAL GOVERNMENT</b>			
<i>Supervisor</i>			
Salaries	8568		
Fringe Benefits	1965		
Mileage	90		
<b>Total Supervisor</b>	<b>10623</b>	<b>11523</b>	<b>900</b>
 <i>Assessor</i>			
Salaries	10000		
Fringe Benefits	2293		
Office Supplies	664		
Membership Dues/Education	100		
Mileage	90		
Professional Fees/Contract Labor	1021		
<b>Total Assessor</b>	<b>14168</b>	<b>15778</b>	<b>1610</b>
 <i>Elections</i>			
Professional Fees	406		
Supplies	43		
Miscellaneous	44		
<b>Total Elections</b>	<b>\$ 493</b>	<b>\$ 1000</b>	<b>\$ 507</b>

The notes to the financial statements are an integral part of this report.

**BATES TOWNSHIP**

**STATEMENT OF EXPENDITURES  
GENERAL FUND - ACTUAL AND BUDGET  
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

GENERAL GOVERNMENT (Continued)	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<i>Clerk</i>			
Salaries	\$ 10753	\$	\$
Fringe Benefits	2466		
Office Supplies	907		
Computer	776		
Supplies	214		
Membership Dues/Education	<u>50</u>	<u>        </u>	<u>        </u>
Total Clerk	15166	16912	1746
<i>Treasurer</i>			
Salaries	13930		
Fringe Benefits	3195		
Supplies	2190		
Computer	1224		
Tax Roll	2385		
Professional Fees/Contract Labor	75		
Miscellaneous	<u>50</u>	<u>        </u>	<u>        </u>
Total Treasurer	23049	24476	1427
<i>Cemetery</i>			
Salaries	1480		
Fringe Benefits	340		
Supplies	333		
Professional Fees	210		
Printing and Publishing	<u>24</u>	<u>        </u>	<u>        </u>
Total Cemetery	2387	6263	3876
<i>Board of Review</i>			
Contract Services	1237		
Publishing	74		
Membership Dues/Education	215		
Mileage	71		
Other	<u>20</u>	<u>        </u>	<u>        </u>
Total Board of Review	\$ 1617	\$ 1700	\$ 83

The notes to the financial statements are an integral part of this report.

**BATES TOWNSHIP**

**STATEMENT OF EXPENDITURES  
GENERAL FUND - ACTUAL AND BUDGET  
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>GENERAL GOVERNMENT (Continued)</b>			
<b>Zoning</b>			
Salaries	\$ 2100	\$	\$
Fringe Benefits	482		
Meetings	210		
Publishing	182		
Supplies	171		
Membership Dues/Education	103		
Professional Fees/Contract Labor	561		
Mileage	842		
Miscellaneous	<u>135</u>		
Total Zoning	<u>4786</u>	<u>3873</u>	<u>(913)</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>\$ 72289</b>	<b>\$ 81525</b>	<b>\$ 9236</b>
<b>TOWNSHIP PROPERTY</b>			
<b>Township Hall</b>			
Salaries	2514		
Fringe Benefits	577		
Insurance	18965		
Utilities	4356		
Building Maintenance	313		
Telephone	2675		
Water Purchase	728		
Professional Fees	177		
Other	<u>0</u>		
Total Township Hall	30305	25247	(5058)
<b>TOTAL TOWNSHIP PROPERTY</b>	<b>\$ 30305</b>	<b>\$ 25247</b>	<b>\$ (5058)</b>
<b>DEPARTMENT OF PUBLIC WORKS</b>			
Salaries	8891		
Fringe Benefits	12949		
Contract Services	2316		
Supplies	4228		
Maintenance and Repair	7185		
License and Permits	500		
Street Lighting	3238		
Mileage	276		
Miscellaneous	<u>20</u>		
<b>TOTAL DEPARTMENT OF PUBLIC WORKS</b>	<b>\$ 39603</b>	<b>\$ 36167</b>	<b>\$ (3436)</b>

The notes to the financial statements are an integral part of this report.

**BATES TOWNSHIP**

**STATEMENT OF EXPENDITURES  
GENERAL FUND - ACTUAL AND BUDGET  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2003*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>PUBLIC SAFETY</b>			
Fire Protection	\$ 19000	\$	\$
Hydrant Maintenance	<u>12000</u>	<u>          </u>	<u>          </u>
<b>TOTAL PUBLIC SAFETY</b>	<b>\$ 31000</b>	<b>\$ 31000</b>	<b>\$ -0-</b>
 <b>RECREATION AND CULTURAL</b>			
Parks			
Salaries	\$ 6806	\$	\$
Fringe Benefits	10410		
Supplies	1579		
Utilities	20		
Repairs and Maintenance	940		
Telephone	310		
Contract Services	10079		
License and Permits	135		
Other	140		
Community Promotion	<u>3157</u>	<u>          </u>	<u>          </u>
<b>TOTAL RECREATION AND CULTURAL</b>	<b>\$ 33576</b>	<b>\$ 27823</b>	<b>\$ (5753)</b>
 <b>CAPITAL OUTLAY</b>	 <b>\$ 31597</b>	 <b>\$ 1000</b>	 <b>\$ (30597)</b>
 <b>TOTAL EXPENDITURES</b>	 <b>\$ <u>251968</u></b>	 <b>\$ <u>215210</u></b>	 <b>\$ <u>(36758)</u></b>

The notes to the financial statements are an integral part of this report.

BATES TOWNSHIP
----------------

BALANCE SHEET  
LIQUOR LAW ENFORCEMENT FUND

MARCH 31, 2004

ASSETS

Cash	\$ <u>821</u>
TOTAL ASSETS	\$ <u><u>821</u></u>

LIABILITIES AND FUND EQUITY  
LIABILITIES

Due to Other Funds	\$ <u>182</u>
Total Liabilities	\$ <u>182</u>

FUND EQUITY

Fund Balance	\$ <u>639</u>
Total Fund Equity	\$ <u><u>639</u></u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u><u>821</u></u>

The notes to the financial statements are an integral part of this report.

BATES TOWNSHIP
----------------

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY  
LIQUOR LAW ENFORCEMENT FUND  
ACTUAL AND BUDGET

FISCAL YEAR ENDED MARCH 31, 2004

<u>REVENUES</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
State Grants	\$ <u>385</u>	\$ <u>385</u>	\$ <u>0</u>
<b>TOTAL REVENUES</b>	<b>\$ 385</b>	<b>\$ 385</b>	<b>\$ 0</b>
<u>EXPENDITURES</u>			
Personal Services	<u>182</u>	<u>0</u>	<u>(182)</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 182</b>	<b>\$ 0</b>	<b>\$ (182)</b>
Excess of Revenues Over (Under) Expenditures	203	385	(182)
FUND BALANCE, APRIL 1	\$ <u>436</u>		
FUND BALANCE, MARCH 31	\$ <u><u>639</u></u>		

The notes to the financial statements are an integral part of this report.

BATES TOWNSHIP
----------------

BALANCE SHEET  
ROAD REPAIR FUND

MARCH 31, 2004

ASSETS

Cash	\$ -0-
Due From Other Funds	<u>-0-</u>

TOTAL ASSETS	\$ <u>-0-</u>
--------------	---------------

FUND EQUITY

Fund Balance	\$ <u>-0-</u>
--------------	---------------

TOTAL FUND EQUITY	\$ <u>-0-</u>
-------------------	---------------

The notes to the financial statements are an integral part of this report.

BATES TOWNSHIP
----------------

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY  
ROAD REPAIR FUND  
ACTUAL AND BUDGET

FISCAL YEAR ENDED MARCH 31, 2004

<u>REVENUES</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Property Taxes	\$ 36977	\$ 28600	\$ 8377
<b>TOTAL REVENUES</b>	<b>\$ 36977</b>	<b>\$ 28600</b>	<b>\$ 8377</b>
<u>EXPENDITURES</u>			
Contracted Services	110031	0	(110031)
Maintenance	2387	28600	26213
<b>TOTAL EXPENDITURES</b>	<b>112418</b>	<b>28600</b>	<b>(83818)</b>
Excess of Revenues Over (Under) Expenditures	(75441)	0	(75441)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In (Out)	25525	0	25525
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(49916)	0	(49916)
FUND BALANCE, APRIL 1	49916		
FUND BALANCE, MARCH 31	\$ 0		

The notes to the financial statements are an integral part of this report.

BATES TOWNSHIP
----------------

BALANCE SHEET  
WATER FUND

MARCH 31, 2004

**ASSETS**

Cash and Deposits:	
Restricted	\$ 153029
Unrestricted	39836
Accounts Receivable	36809
Property, Plant and Equipment	3812707
Accumulated Depreciation	<u>(919779)</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>3122602</u></b>

**LIABILITIES AND FUND EQUITY**

**LIABILITIES**

Accounts Payable	\$ 512
Deferred Revenue	18900
Due to Other Funds	44829
Bonds Payable	<u>1325000</u>
<b>Total Liabilities</b>	<b>1389241</b>

**FUND EQUITY**

Retained Earnings	<u>1733361</u>
<b>Total Fund Equity</b>	<b>\$ 1733361</b>

<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ <u>3122602</u></b>
--	--------------------------

The notes to the financial statements are an integral part of this report.

BATES TOWNSHIP
----------------

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
WATER FUND

FISCAL YEAR ENDED MARCH 31, 2004

**OPERATING REVENUE**

Charges for Services	\$ 198779
Miscellaneous Revenue	3497
Logging Proceeds	<u>4429</u>

<b>TOTAL OPERATING REVENUE</b>	<b>\$ 206705</b>
--------------------------------	------------------

**OPERATING EXPENSES**

Personal Services	30110
Administrative and Clerical	6585
Fringe Benefits	2395
Pump House	32370
Professional Fees/Contract Labor	6194
Equipment, Repairs and Maintenance	2649
Water Lines	546
Water Purchases	6684
Depreciation	148177
Miscellaneous	<u>0</u>

<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 235710</b>
---------------------------------	------------------

Operating Profit (Loss)	(29005)
-------------------------	---------

**NON-OPERATING INCOME**

Interest Income	2253
-----------------	------

**NON-OPERATING EXPENSE**

Interest Expense	<u>(70087)</u>
------------------	----------------

Net Income (Loss)	(96839)
-------------------	---------

RETAINED EARNINGS, APRIL 01, before restatement	<u>182169</u>
--	---------------

Add:

Cumulative effect of a change in accounting principles	<u>1648031</u>
---	----------------

RETAINED EARNINGS, APRIL 01, after restatement	1830200
---	---------

<b>RETAINED EARNINGS, MARCH 31</b>	<b>\$ <u>1733361</u></b>
------------------------------------	--------------------------

The notes to the financial statements are an integral part of this report.

BATES TOWNSHIP
----------------

STATEMENT OF CASH FLOWS  
WATER FUND

FISCAL YEAR ENDED MARCH 31, 2004

CASH FLOWS FROM (USED BY)

OPERATING ACTIVITIES

Net cash received from fees and services	\$ 199780
Other operating revenues	7926
Cash payments to employees for services	(33705)
Cash payments for goods and services	(53317)
Other operating expenses	<u>0</u>

NET CASH FROM OPERATING ACTIVITIES	\$ 120684
------------------------------------	-----------

NON CAPITAL AND FINANCING ACTIVITIES

Increase (decrease) in due to other funds	(500)
(Increase) decrease in due from other funds	0
Net operating transfers in (out)	<u>0</u>

NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	\$ (500)
---	----------

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(13362)
Principal payment on long-term bonds	(20000)
Interest paid on long-term bonds	(70087)
Interest and tax expense	0
Proceeds from borrowings	0
Contributed capital grants	<u>0</u>

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (103449)
--	-------------

INVESTING ACTIVITIES

Interest Income	<u>2253</u>
-----------------	-------------

NET CASH FROM INVESTING ACTIVITIES	\$ 2253
------------------------------------	---------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18988
---	-------

Cash and Cash Equivalents, Beginning of Year	<u>173877</u>
--	---------------

Cash and Cash Equivalents, End of Year	\$ 192865
--	-----------

The notes to the financial statements are an integral part of this report.

BATES TOWNSHIP
----------------

STATEMENT OF CASH FLOWS  
WATER FUND  
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

**CASH FLOWS FROM OPERATING  
ACTIVITIES**

Operating Income	\$ (29005)
Adjustment to reconcile operating income to net cash provided by operating activities:	
. Depreciation	148177
. Provision for uncollectible accounts	0
. Changes in assets and liabilities:	
(Increase) Decrease in accounts receivable	1000
Increase (Decrease) in accounts payable	512
Increase (Decrease) in deferred revenue	0
Increase (Decrease) in customer deposits	0
NET CASH FROM OPERATING ACTIVITIES	\$ <u>120684</u>

The notes to the financial statements are an integral part of this report.

**BATES TOWNSHIP**

**BALANCE SHEET  
SEWER FUND**

MARCH 31, 2004

**ASSETS**

Cash and Deposits:	
Restricted	\$ 128435
Unrestricted	42282
Accounts Receivable	10092
Property, Plant and Equipment	2700455
Accumulated Depreciation	(1581841)
<b>TOTAL ASSETS</b>	<b>\$ <u>1299423</u></b>

**LIABILITIES AND FUND EQUITY**

**LIABILITIES**

Accrued Interest	\$ 3953
Bonds Payable	289000
Due to Other Funds	<u>43850</u>
<b>Total Liabilities</b>	<b>336803</b>

**FUND EQUITY**

Retained Earnings	<u>962620</u>
<b>Total Fund Equity</b>	<b><u>962620</u></b>

<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ <u>1299423</u></b>
--	--------------------------

The notes to the financial statements are an integral part of this report.

**BATES TOWNSHIP**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
SEWER FUND**

FISCAL YEAR ENDED MARCH 31, 2004

<b><u>OPERATING REVENUE</u></b>	
Charges for Services	\$ 88450
Miscellaneous Revenue	<u>1066</u>
<b>TOTAL OPERATING REVENUE</b>	<b>89516</b>
 <b><u>OPERATING EXPENSES</u></b>	
Personal Services	17364
Administrative and Clerical	1337
Fringe Benefits	1056
Lift Stations/Equipment	11142
Depreciation	<u>69757</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>100656</b>
 Operating Profit (Loss)	 (11140)
 <b><u>NON-OPERATING INCOME</u></b>	
Interest Income	3536
 <b><u>NON-OPERATING EXPENSE</u></b>	
Interest Expense	(16176)
Net Income (Loss)	(23780)
 RETAINED EARNINGS, APRIL 01, before restatement	 (135980)
Add:	
Cumulative effect of a change in accounting principles	<u>1122380</u>
RETAINED EARNINGS, APRIL 01, after restatement	986400
 RETAINED EARNINGS, MARCH 31	 \$ <u><u>962620</u></u>

The notes to the financial statements are an integral part of this report.

**BATES TOWNSHIP**

**STATEMENT OF CASH FLOWS  
SEWER FUND**

*FISCAL YEAR ENDED MARCH 31, 2004*

**CASH FLOWS FROM (USED BY)**

**OPERATING ACTIVITIES**

Net cash received from fees and services	\$ 88121
Other operating revenues	1066
Cash payments to employees for services	(19757)
Cash payments for goods and services	(11142)
Other operating expenses	<u>0</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 58288</b>

**NON CAPITAL AND FINANCING ACTIVITIES**

Increase (decrease) in due to other funds	0
(Increase) decrease in due from other funds	0
Net operating transfers in (out)	<u>0</u>
<b>NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES</b>	<b>\$ 0</b>

**CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(2484)
Principal payment on long-term bonds	(84000)
Interest paid on long-term bonds	(17142)
Interest and tax expense	0
Proceeds from borrowings	33500
Contributed capital grants	<u>0</u>
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>\$ (70126)</b>

**INVESTING ACTIVITIES**

Interest Income	<u>3536</u>
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>\$ 3536</b>

<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(8302)</b>
---	---------------

Cash and Cash Equivalents, Beginning of Year	<u>179019</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 170717</b>

The notes to the financial statements are an integral part of this report.

**BATES TOWNSHIP**

**STATEMENT OF CASH FLOWS  
SEWER FUND  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2004*

**CASH FLOWS FROM OPERATING  
ACTIVITIES**

Operating Income	\$ (11140)
Adjustment to reconcile operating income to net cash provided by operating activities:	
. Depreciation	69757
. Provision for uncollectible accounts	0
. Changes in assets and liabilities:	
(Increase) Decrease in accounts receivable	(329)
Increase (Decrease) in accounts payable	0
Increase (Decrease) in deferred revenue	0
Increase (Decrease) in customer deposits	0
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ <u>58288</u></b>

The notes to the financial statements are an integral part of this report.

**BATES TOWNSHIP**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
TRUST AND AGENCY FUNDS**

*FISCAL YEAR ENDED MARCH 31, 2004*

	Balance April 01, 2003	Additions	Deductions	Balance March 31, 2004
<b><u>ASSETS</u></b>				
Cash	\$ 27809	\$ 1045349	\$ 1045650	\$ 27508
<b>TOTAL ASSETS</b>	<u>27809</u>	<u>1045349</u>	<u>1045650</u>	<u>27508</u>
<b><u>LIABILITIES</u></b>				
Due to Other Funds	4220	132980	133974	3226
Due to County	4784	442349	447133	0
Due to State	0	19890	19890	0
Due to Schools	18295	394008	412303	0
Due to Library	510	31166	31676	0
Due to Other	<u>0</u>	<u>24956</u>	<u>674</u>	<u>24282</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 27809</u>	<u>\$ 1045349</u>	<u>\$ 1045650</u>	<u>\$ 27508</u>

The notes to the financial statements are an integral part of this report.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING**

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Bates Township  
Iron River, Michigan 49935

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of and for the year ended March 31, 2004, which collectively comprise **Bates Township's** financial statements, and have issued our report thereon dated June 02, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

## Compliance

As part of obtaining reasonable assurance about whether **Bates Township's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

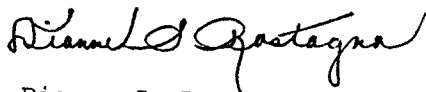
## Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Bates Township's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no such matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

However, we noted certain matters involving the internal control structure and its operations that we have reported to the management of **Bates Township**, Iron River, Michigan, in a separate letter dated June 02, 2004.

This report is intended for the information of the Board, administration, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.



Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

June 02, 2004

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

June 02, 2004

Members of the Township Board  
**Bates Township**  
Iron River, Michigan 49935

I have audited the general purpose financial statements of **Bates Township** for the year ended March 31, 2004, and have issued my report thereon dated June 02, 2004. Professional standards require that I provide you with the following information related to the audit:

## **My Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in my engagement letter dated February 09, 2004, my responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the general purpose financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by me.

As part of the audit, I considered the internal control of **Bates Township**. Such considerations were solely for the purpose of determining the audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of **Bates Township's** compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

## **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by **Bates Township** are described in the Note to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during this year. We noted no transactions entered into by **Bates Township** during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There were no sensitive estimates affecting the financial statements as presented.

### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the general purpose financial statements that, in my judgment, may not have been detected except through my auditing procedures. These adjustments may include those proposed by me but not recorded by **Bates Township** that could potentially cause future financial statements to be materially misstated, even though I have concluded that such adjustments are not material to the current financial statements. I proposed no audit adjustments that could, in my judgment, either individually or in the aggregate, have a significant effect on **Bates Township's** financial reporting process.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of the audit.

### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

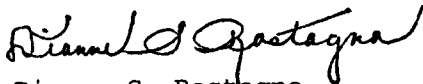
I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as **Bates Township's** auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing the audit.

This information is intended solely for the use of the Board and management of **Bates Township** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Dianne S. Rostagno".

Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

Members of the Township Board  
**Bates Township**  
3070 East US-2  
Iron River, Michigan 49935

In planning and performing the audit of the financial statements of **Bates Township**, I considered the Township's internal control structure to plan the auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit, I noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect my report dated June 02, 2004 on the financial statements of **Bates Township**. I will review the status of these comments during my next audit engagement. My comments and recommendations, which have been discussed with appropriate township officials, are intended to improve the internal control structure or result in other operating efficiencies. I will be pleased to discuss these comments in further detail at your convenience or to assist you in implementing the recommendations. My comments are summarized as follows:

## **PROPRIETARY FUND**

### **\*\* Problem**

As was noted with the prior audit, the Township had an on-going deficit in the Sewer Fund.

### **Resolution**

The Township had previously adopted the reporting prescribed by the National Council on Governmental Accounting (NCGA Statement No. 2, "Grant Entitlement and Shared Revenue and Reporting by State and Local Governments"). The statement required that the depreciation of fixed assets purchased with restricted grant funds or shared revenue be closed directly to the contributed capital account that was created when the restricted or shared revenue was received. The contributed capital account, less accumulated amortization, was a component of the fund equity.

This statement was superseded by GASB Statement 34, which no longer recognizes the contributed capital account.

The result was a substantial cumulative effect of a change in accounting principal, which effectively restated the opening retained earning balance and eliminated the deficit.

### BUDGETS

**\*\* Problem**

Public Act 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of amounts appropriated.

During the fiscal year ended March 31, 2004, the Township had several expenditures in excess of the amounts appropriated.

**Recommendation**

Periodically, budgeted amounts should be compared to actual expenditures and the budget amended accordingly.

### INTERFUND TRANSACTIONS

**\*\* Problem**

In conjunction with prior audits, it has been noted that interfund activities have been posted incorrectly, and do not reflect the substance of actual transactions. The amounts reported as interfund receivables/payables were out of balance.

**Current Recommendation**

It was recommended that Interfund receivables/payable be agreed monthly prior to the finalization of monthly financial statements.

**Resolution**

This has been satisfactorily resolved.

### LIQUOR LAW ENFORCEMENT FUND

**\*\* Problem**

It was brought to the attention of the Board in conjunction with the prior several audits that the activity for the Liquor Law Enforcement Fund was being recorded in the General Fund. This also creates a deficit budget in the Liquor Law Enforcement Fund.

**Recommendation**

It was noted that the Liquor Law Enforcement Fund is a Special Revenue fund, the activity of which should be recorded in the Liquor Law Enforcement Fund.

LIQUOR LAW ENFORCEMENT FUND (Continued)

Resolution

This has not been resolved. Revenues and expenditures are both being reported in the General Fund.

Current Recommendation

Revenues and expenditures for Liquor Law Enforcement should correctly be reported and budgeted in the Liquor Law Enforcement Fund.

CONSTABLE

**\*\* Problem**

It was noted that payroll time sheets were not being turned in to the Clerk on a timely basis. In addition, inspection reports for Liquor Law Enforcement were not being turned in to the Township's office, where they should be retained on file.

Recommendation

It was recommend that the Constable turn in inspection reports and time sheets on a regular basis.

Resolution

This process has improved somewhat, but the inspection reports and time sheets need to be turned in more frequently.

Current Recommendation

Records should be turned in to the Clerk on a regular monthly basis.

I wish to express my appreciation to the Township officials for their assistance during my audit engagement.

This report is intended solely for the information and use of the Township Board.



Dianne S. Rostagno  
DS ROSTAGNO CPA, P.C.

June 02, 2004